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Shanghai Business Etiquette

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Report Highlights:

China is fast emerging as a strategically important market for many U.S. businesses. Understanding and practicing Chinese etiquette is one of the keys to a successful business experience in China. Generational change and increasing exposure to global media are transforming the veneer of Chinese culture. Beneath the surface however, change is more gradual. ATO/Shanghai has assembled some basic pointers on Chinese business etiquette for visiting American business people.

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Chinese Business Etiquette

China is emerging as one of the most important markets for many U.S. businesses. Home to nearly one-quarter (1.3 billion) of the world's population, this nation is the world's most populous country and also one of the fastest growing markets. As such, China is attracting a growing number of business visitors from the U.S. Business culture in China is quite different from the U.S., and a good understanding of the ground rules is an important part of adapting to this market. Prior to discussing Chinese business etiquette, it is useful to examine some aspects of the Chinese culture that it is based on.

Some fundamentals about Chinese culture:

Although there are large and important regional differences, Chinese culture can be seen as sharing a set of core values, which underlie social interaction throughout daily life. Four key features are emblematic of China's basic cultural values:

- (a) Respect for age and hierarchical position;
- (b) Group (rather than individual) orientation;
- (c) The concept of face; and,
- (d) The importance of relationships

Much of the business etiquette of China and Shanghai draws on these four key features. With this in mind, here are several tips for effectively communicating with business contacts and new friends in Shanghai:

1) Establishing and keeping personal relationships

Personal relations ("guanxi" in Chinese) are a bigger factor in getting things done in China than in the United States. In business, relationships are important as most agreements rely more on trust between parties than fully articulated, legally enforceable contracts.

When you begin to do business with Chinese people, it is suggested that you make friends with them first. This implies some investment of time. It is usually worthwhile to impress on your Chinese customers your good character, rather than trying to impress them with the merits of your product. Tolerance, integrity, honesty, sincerity and a little bit of humor can help you set up a stable, constant and long-term working relationship with your Chinese partners.

2) Conversation: Beating Around the Bush

Understanding the Chinese way of thinking can help you avoid unnecessary complications and misunderstandings and maintain good relations with your Chinese partners. Most Chinese people are basically reserved, and accustomed to thinking in roundabout ways. In Chinese culture, negative replies are considered impolite, so if your Chinese customers keep silent or just give you "may be," answers, don't assume that they are not sincere or disinterested. When your Chinese counterparts smile and politely say, "No big problem" or "The problem is not serious," they often mean, "There are problems". Some westerners complain that it is difficult to determine what the real problem is from a Chinese person. This is because, in Chinese culture, bringing "trouble" (a problem) to or sharing the "trouble" with other people is impolite. Therefore, Chinese people are instinctively comfortable in telling you the positive part, while avoiding the negative part. Likewise, issues that may be clearly related in your mind may be completely unconnected as far as your counterpart is concerned. If it turns out that something important has been left out, this does not necessarily mean that they are being deliberately deceptive: they genuinely may not think it

is relevant. This makes checking for understanding a necessary part of every business interaction: be prepared to spend time going over the details, and try not to betray impatience with this process.

You may be asked intrusive questions concerning your age, income, and marital status. This is not regarded as impolite in China. If you don't want to reveal this information, remain polite and give an unspecific answer. Don't express irritation with the questioner, since 'losing face' has such negative implications in this culture. On the other hand, unless you are a personal friend, it is best to keep questions about your Chinese host's family general: typically, you can ask 'How old is your child?', 'How long have you been at your company?' or 'Where is your child studying?' as a means of determining their marital status and age.

In Chinese culture, the questions 'Have you eaten?' or 'Where have you been?' are the equivalent to 'How are you?' in North America. It is just a superficial inquiry that does not require a literal-minded, detailed answer. Simply answer, 'yes', even if you haven't actually eaten or simply smile and say 'thank you.'

'Small talk' is considered especially important at the beginning of a meeting; any of the topics suggested in the next set of points will be appropriate for this occasion.

- Chinese scenery, landmarks
- weather, climate, and geography in China
- your travels in other countries
- your positive experiences traveling in China
- Chinese art

3) The Concept of Face: It is Better to Give Than Receive

Considering the concept of face is another important factor in maintaining good relations with your Chinese partners. The concept of face is sensitive and complicated. Taking into account different personalities and ways of thinking, Chinese people generally prefer the passive to the aggressive, and to bury their feelings rather than express them openly. Losing face is a humiliating experience - especially in a business context. In the most extreme cases, causing a partner to lose face could mean losing business with that client or contact forever, as such an embarrassment would not be forgotten. This is particularly true for senior officials who might be embarrassed in front of more junior colleagues. So, when you run into problems, either in meetings or on the street, raising your voice to solve a bad situation will generally only make things worse. Avoid losing your temper or criticizing China. Likewise, it's a good idea to avoid political discussions.

Most discussions of face focus on 'losing face.' It is very important to note, however, that face isn't just lost, but can be given. When you publicly thank your counterparts for their cooperation, or toast them at a banquet, you give them face and help to cement the relationship. Dinners, toasts and the giving of gifts are all occasions that can be used to give face. Note also that there are subtle differences in how face is gained or lost in different places and situations.

4) Greetings

Learning some greetings in Mandarin can also help you quickly get close to your Chinese partners, even if you are doing business in Shanghai where most business people use Shanghainese. Those foreigners who can speak even a few words of Chinese will impress Chinese counterparts. This is because they show the willingness to learn Chinese, which indicates a serious commitment to China. Even one or two words will make a good impression, even if they aren't pronounced entirely correctly. Chinese business people generally feel more comfortable with those who have taken the time to learn a bit about China. If possible, summoning up a few Chinese greetings during your first meeting will be helpful in setting the mood for a good relationship with your Chinese counterparts.

Traditionally, Chinese place the family name first and the surname second. As a general rule, contacts should be addressed by their family name only, such as Mr. Wang or Ms. Chen. In some instances, westernized Shanghainese might reverse their names when visiting and sending correspondence abroad, creating some confusion over which is which. Therefore, it is always a good idea to ask a native speaker which name is the family name. Another common convention in correspondence is to print the family name in all caps. For business purposes, it is customary to call a Chinese person by their surname and title, "Director Wang" or "Chairman Li", for example, especially when addressing a government officer. Avoid using someone's given name unless you have known him or her for a long period of time.

Some useful Chinese phrases: (Note: most hotels have short lists of survival phrases, as do all the major guidebooks. Just remember, don't be bashful but be prepared not to be understood.)

/ v
Nin hao - How do you do?

v v - \ \ \ /
Wo hen gaoxing ren shi nin - Nice to meet you

\ \
Xiexie - Thank you

v \
Qing zuo - Sit down, please

\ \
Zai jian - Goodbye

/ \ / \
He Zuo Yu Kuai - Nice to cooperate with you

- -
Gan bei- Cheers (literally: "dry cup," i.e., you will likely prompt your host/dinner guests to drain their glass. It is not recommended to attempt this procedure with a large glass.)

5) Making appointments

In general, the best times of year for travel are April to June and September to December. However, ATO Shanghai notes that business has become a year-round affair, and U.S.

business travelers are now arriving all 12 months of the year. When scheduling your appointments, be sensitive to major Chinese holidays such as Chinese New Year (i.e., Spring Festival), May Day (International Labor Day, May 1), and the Golden Week (National Day, Oct 1). During these holidays many businesses will be closed for up to a week or more. The exact dates of these holidays vary from year to year, so be careful to check on the exact dates before scheduling travel.

Being late for an appointment is considered impolite in Chinese business culture. Traffic conditions have deteriorated in most cities, however, so flexibility is a must when hosting a potential Chinese customer, as they may get caught in traffic. Meeting schedules should be structured to allow for small talk at the beginning of the meeting, especially when dealing with new contacts.

6) Working hours

Business and government hours are 8:30 a.m. to 5:30 p.m., Monday through Friday, although some offices still hold to a six-day workweek. Avoid plans to visit government offices on Friday afternoon, because this period is sometimes reserved for “political studies”. Food and meals are a central part of Chinese culture, so most Chinese enterprises take a break between 12:00 noon – 2:00 p.m. Practically everything shuts down during this period, sometimes including office phone/messaging service.

7) Business Attire

Traditionally, conservative suits and ties in subdued colors were the norm. Women wore conservative suits or dresses, and flat shoes or low heels were the main footwear options. Things change, however and today Shanghai is fast regaining its title as Pearl of the Orient, a place where fashions for both men and women are current. The norms of business culture in cosmopolitan cities other than Shanghai are changing as well. As a general rule, however, formal dress is a sign of respect for your counterpart, and always the safest bet. It is not advisable to adopt casual dress until you’ve established a business relationship. Men should wear suits and ties to formal events, such as an opening ceremony; tuxedos are not a part of Chinese business culture.

8) Bring small gifts

It is useful, but not absolutely necessary, to give small gifts to your Chinese customers during meetings or meals. Lavish gift giving was an important part of Chinese culture in the past, and continues to be a factor today. In today’s business culture, however, it is more the thought that counts than anything else, so gifts need not be expensive. Items that are representative of your company, organization or home region are best. For example: items with your corporate logo (mugs, pens, key chains, etc.), or picture books of the region where your company is based. Never give a clock, handkerchief, umbrella or white flowers, specifically chrysanthemums, as a gift, as all of these signify tears and/or death. Never give sharp objects such as knives or scissors as they may signify the cutting of a relationship.

Giving expensive gifts is not generally recommended, as this can create quite a few questions about which contacts receive which gifts, leading into a potential loss of face for some of your contacts. If you wish to give a gift to an individual, it is better to do it privately, in the context of friendship, not business. An exception to this is the symbolic gift, given by one company to another. Such gift giving tends to be ceremonial, with photographs and such. Note that the giving of lavish gifts in order to curry favor is a widespread, but illegal, practice, in today’s China. Foreign companies are strongly admonished to avoid

becoming involved in these practices, as such extra legal practices are highly fraught, extremely complex, and likely to have negative outcomes in the long term.

9) Bring name cards

Name cards are an essential part of living and doing business in China. Whether your visit is for business or pleasure, you should carry a good supply of name cards with you at all times, because you may meet many more people than anticipated. Try to remember to accept and offer cards with both hands; this is the polite form of exchange. After exchanging the name cards, don't put them away immediately. You should look at them for a few seconds and then put them on the meeting table in front of you. After the meeting, be sure to collect all the name cards for your records and future reference.

It would be better for you to give your Chinese customer a bilingual Chinese-English card. If you don't have bilingual cards, you can ask a local Chinese company to print one or two boxes for your temporary use. We recommend that you have a Chinese name on your name cards, as this will help those who do not speak English well, but wish to address you by name. Most business centers in major hotel chains offer quick-delivery name card printing services, and they can assist in the selection of a Chinese name.

10) Business meetings

In accordance with Chinese business protocol, people are expected to enter the meeting room in hierarchical order. For example, the Chinese will assume that the first foreigner to enter the room is head of the delegation. For formal negotiations, the two parties typically sit opposite each other, with the lead negotiators at the center of the table on each side and the host delegation on the side facing the door. The remaining members of the group generally sit in proximity to the lead negotiator based on rank, but taking into account the need to place the translator next to the lead negotiator. By contrast, the 'discussion' format places the two leaders in chairs next to each other with a small table in between, with the remaining delegates seated in descending order to the side of their respective leaders. In this format, the translators are typically seated behind and slightly to the side of each leader.

During the business meeting, it would be beneficial to bring your own interpreter, to help you understand the details being discussed. In order to express your opinion clearly and let your Chinese partners easily understand you, speak in short, simple sentences free of jargon and slang. Pause frequently so that the interpreter has time to translate what you've said.

Making presentations is very normal in a business meeting, so be sure to have enough copies of your briefing materials ready for distribution. Try to have them translated into Chinese. Business practices are in a state of transition, so the degree of formality in meetings varies widely. Some contacts, particularly government officials, prefer to open a meeting with an 'introduction' to their organization. This can be very time consuming, but is a part of the more traditional approach to doing business. Except for those educated in the West, Chinese businesspeople largely rely on subjective feelings and personal experiences in forming opinions and solving problems, so conduct during these meetings is important. Foreigners should strive to appear professional and competent without being cold or distant.

At the end of a meeting, you are expected to leave before your Chinese counterparts.

11) Comprehending the necessity of working lunches and dinners

Generally speaking, business breakfasts are not a part of Chinese business culture (except in Guangdong and Fujian provinces where the “Morning Tea” is popular). Business lunches and dinners, however, are a very important feature of Chinese business culture, and will be common during your stay in China. Participation is strongly recommended, since this is where your Chinese counterparts get to know you, and exchange information (e.g., competitor information) that was not presented in the formal meeting. This is where you establish “guanxi” with your counterpart and begin to build trust. Count on attending banquets arranged by your host. As a guest, you should return the favor, if feasible. If not possible on this visit, consider doing so on your next trip or when your Chinese counterparts come to the United States, but be sure not to miss the opportunity.

Lunch begins at around noon, while dinner is served from 6 p.m. onwards. It is better not to serve alcohol before the meal. Work out the seating arrangements in advance, making sure to place the senior figure from each side next to one another with an interpreter, as necessary. Generally, the seat in the middle of the table, facing the door, is reserved for the host. The most senior guest of honor sits directly to the right of the host.

It is also important to articulate any food preferences. You should not feel pressured to eat or drink something you don't like, or to drink more than you feel comfortable drinking. Forming a personal relationship (guanxi) in your business dealings is very important. Part of this involves participating in the drinking culture. Generally, bonds of trust and friendship are formed over dinner with drinks, and frequent toasts are part of the fun (as well as a way to give face to your contacts). It is at these kinds of social occasions that most negotiating breakthroughs are made. The Chinese tend to regard with suspicion anyone who does not participate in the drinking and toasting that takes place during business dinners. Note, however, that this need not be a burden. The current trend is away from strong drinks such as sorghum whiskey, in favor of beer or wine. It is acceptable to take relatively small sips during a toast, unless of course you are asked to ‘ganbei.’ Lastly, people with legitimate excuses (drivers, translators, people with medical problems, etc.), can bow out gracefully, making their toasts with fruit juice or other soft drinks. Prepare some medical excuses for yourself to avoid drinking heavily; if you really wish to avoid alcohol, your companions will accept medical excuses.

At a meal, the host generally makes the first toast. If you wish, you might then offer a brief return toast. In fact, toasting can be a good opportunity to ‘give face’ to other members of the group, though care should be taken not to detract from your host. It is polite to use both hands when offering or receiving anything. Formal meals generally take quite a long time and involve a very large number of different dishes. Guests should not feel obligated to eat things they don't like, and should be careful to pace themselves, as there will almost certainly be more dishes than they expect. Chinese banquets generally feature a fruit plate as the last dish, and the appearance of the fruit plate is a good indicator that the meal is coming to an end. Once the meal is over, it is not expected that either the guests or host will linger.

12) Pay attention to small details when you see your Chinese counterparts for the first time

Generally speaking, shaking hands and changing name cards is the common way to begin a first meeting with your Chinese counterparts. Don't be too demonstrative, e.g., don't try to hug or kiss your Chinese counterparts, as this will most likely cause embarrassment. Laughing loudly is generally not polite or appropriate when people meet each other for the first time. Try not to be too talkative, but be sure to take an interest in what your host has

to say. Give your host a chance to bond with you, but expect your host to be more reserved in a business setting than is common in the United States.

13) Behave yourself on informal occasions

Social occasions are worthwhile in order to improve team spirit. Your presence will show your human face, but remember that staff will expect you to act as a leader, even in an informal setting.

Conclusion:

As a visitor to China, it is polite to show respect for local customs. If you want to learn more please see ATO Shanghai's **Business Travel in China** (CH4836) report, and our **Exporter Guide** (CH5823).